



## LODI CITY COUNCIL

Carnegie Forum  
305 West Pine Street, Lodi

## "SHIRTSLEEVE" SESSION

Date: May 8, 2018

Time: 7:00 a.m.

\*and via conference call:

1311 Midvale Road  
Lodi, CA 95240  
&  
Fairmont Rehab Hospital  
960 S. Fairmont Avenue  
Lodi, CA 95240

For information regarding this Agenda please contact:

**Jennifer M. Ferraiolo**  
City Clerk  
Telephone: (209) 333-6702

### Informal Informational Meeting

**A. Roll Call by City Clerk**

**B. Topic(s)**

B-1 Receive Presentation Regarding Fiscal Year 2018/19 General Fund Budget and Five-Year General Fund Forecast (CM)

**C. Comments by Public on Non-Agenda Items**

**D. Adjournment**

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

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Jennifer M. Ferraiolo  
City Clerk

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## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Receive Presentation Regarding Fiscal Year 2018/19 General Fund Budget and the Five-Year General Fund Forecast

**MEETING DATE:** May 8, 2018

**PREPARED BY:** Andrew Keys, Deputy City Manager

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**RECOMMENDED ACTION:** Receive presentation regarding Fiscal Year 2018/19 General Fund Budget and the five-year General Fund forecast.

**BACKGROUND INFORMATION:** Staff has planned a presentation series to provide Council and the public an opportunity to review and comment on basic assumptions within the FY 2018/19 budget to be proposed to Council later this month. The budget will be released and made available for public review at City Hall and online once a draft is finalized. This session is designed to provide information on the general economic circumstances facing City staff and Council in allocating resources to most effectively deliver services, with particular focus on the General Fund.

Included in the presentation will be discussion of the General Fund's five-year forecast. The forecast is a critical planning tool staff and Council use to anticipate future resource or service level adjustments. The forecast presented will include a baseline scenario that keeps normal operations with no change in service levels. It will also provide some basic sensitivity analysis that shows the impact a negative turn in the economy might have on the City's financial health.

Future Council budget presentations will focus on other aspects of the City's budget beyond the General Fund. The first opportunity for the City Council to adopt the Fiscal Year 2018/19 budget will be at its regular meeting on June 6, 2018.

**FISCAL IMPACT:** There is no impact from this informational presentation.

**FUNDING AVAILABLE:** The draft General Fund for Fiscal Year 2018/19 projects \$51,300,380 in revenue and the same in expenses.

\_\_\_\_\_  
Andrew Keys, Deputy City Manager

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APPROVED: \_\_\_\_\_  
Stephen Schwabauer, City Manager

# Fiscal Year 2018/19 Budget General Fund Forecast

Presented by: Andrew Keys, Deputy City Manager



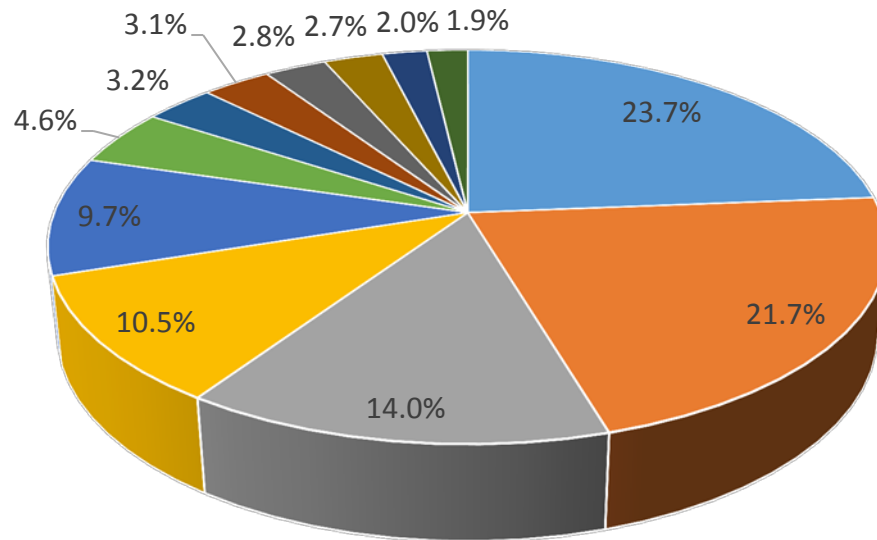
# Agenda

- Fiscal Year 2018-19
  - Assumptions
  - Revenues
  - Expenses by Department
  - Expenses by Type
- Key Inputs
- Five Year Forecast
  - Assumptions
  - Projection
  - Risks/Known Challenges
  - Opportunities



# FY 18-19 Revenues

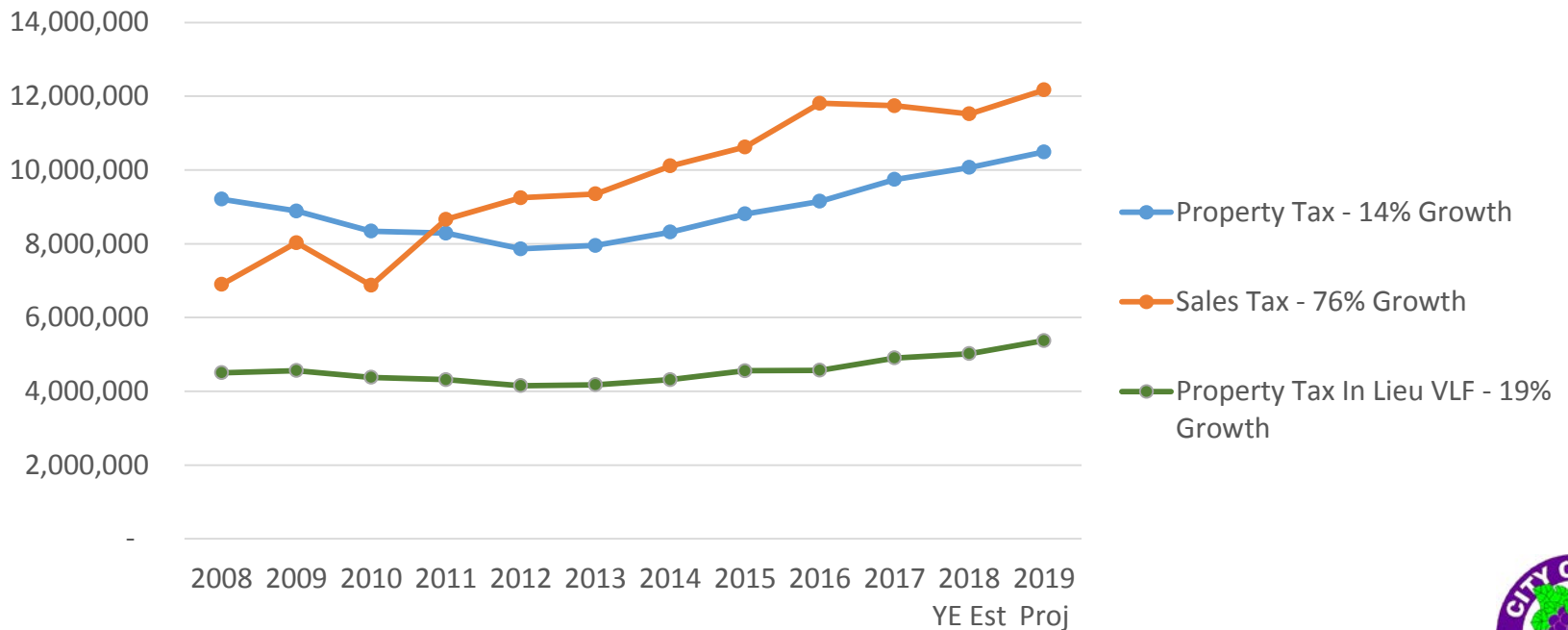
## \$51,300,380



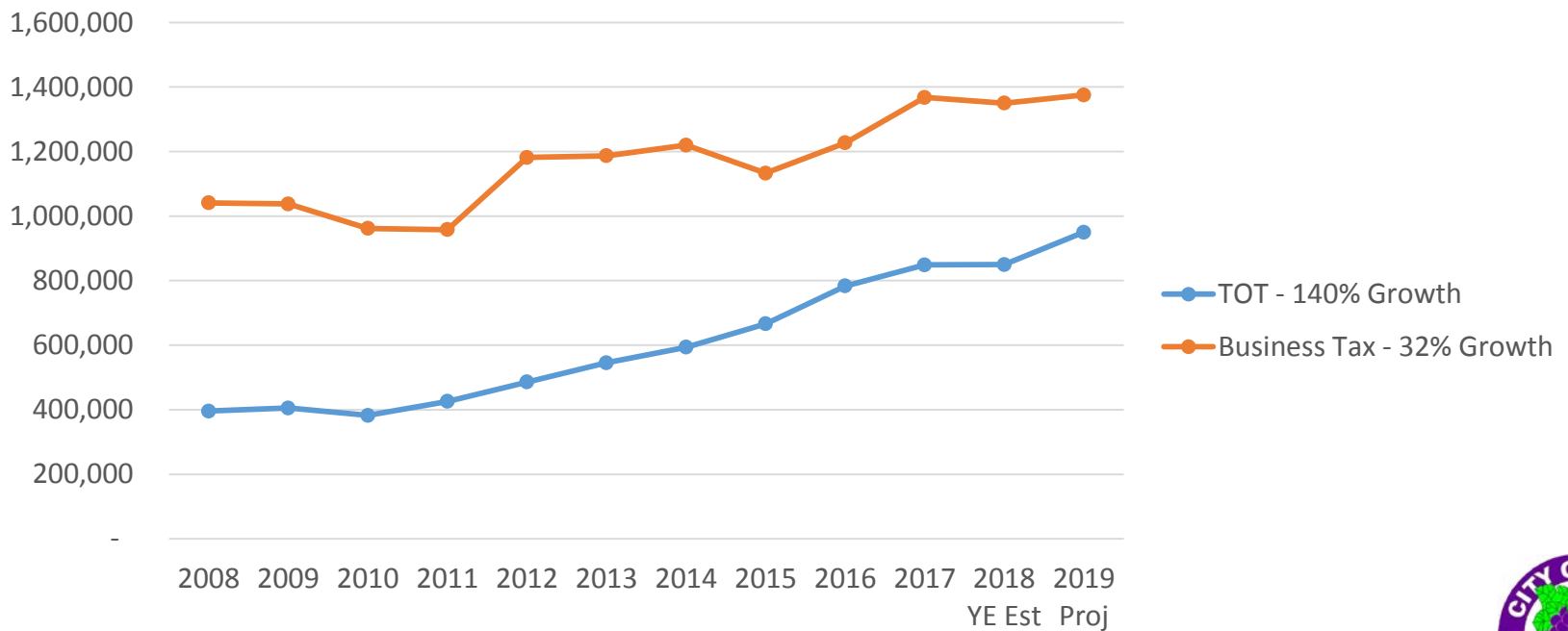
- Sales Tax - \$12,172,600
- Property Tax - \$11,121,750
- Lodi Electric PILOT - \$7,197,380
- Property Tax in Lieu - \$5,374,070
- Cost of Services - \$4,994,780
- Franchise Fees - \$2,369,000
- Rent & Investment - \$1,647,830



# Revenue Trends



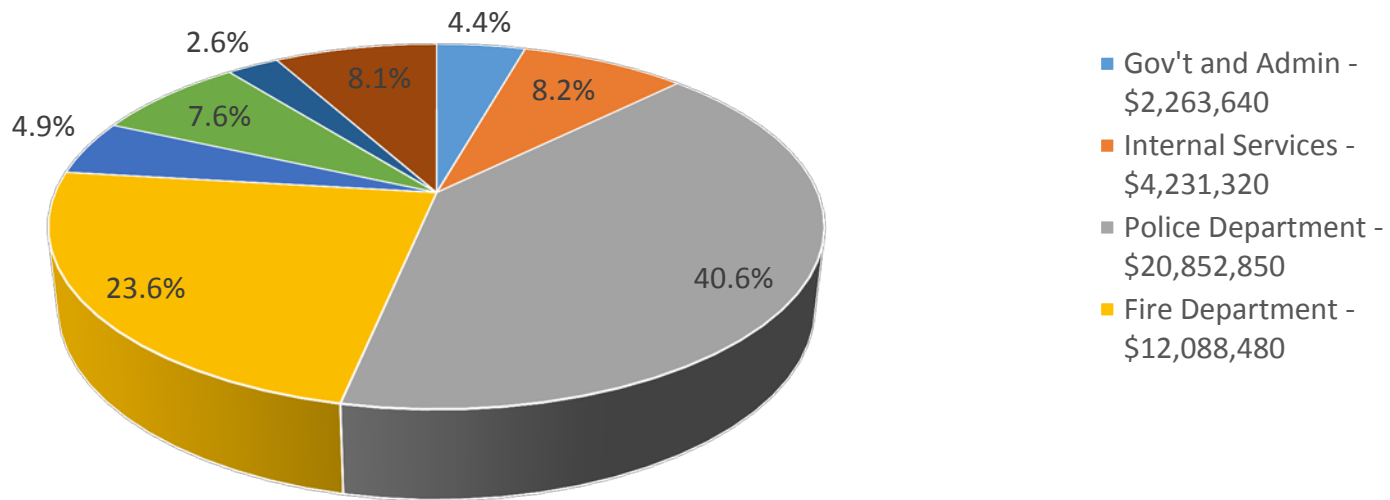
# Revenue Trends



# FY 18-19 Expenses

## \$51,300,380

FY 18-19 Expenditures by Function

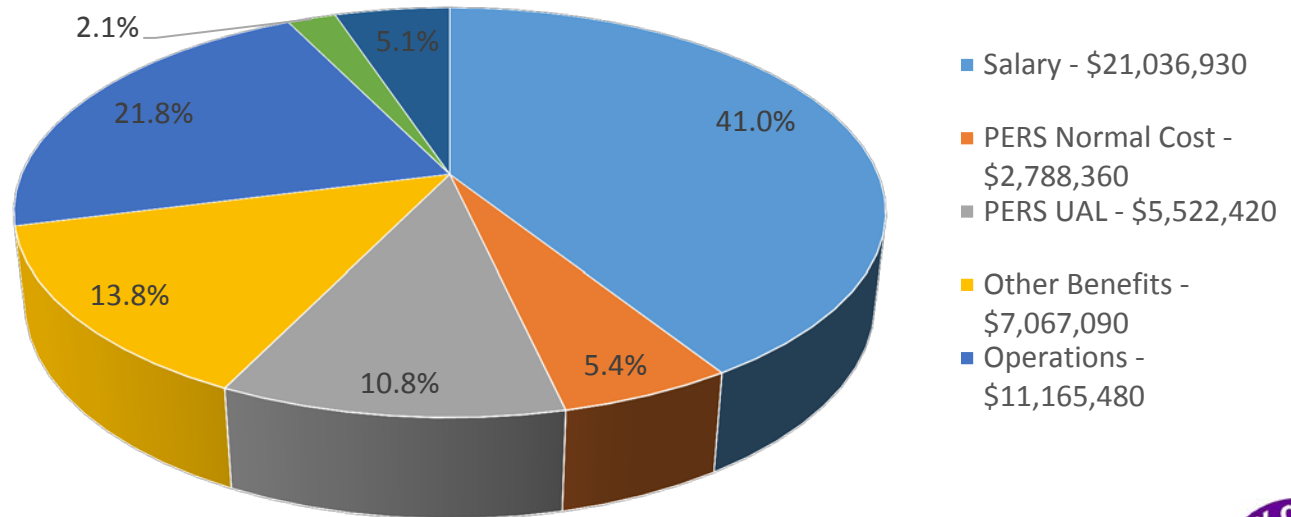




# FY 18-19 Expenses

## \$51,300,380

FY 18-19 General Fund Expenditures by Type



# Key Inputs FY 18-19

- Fire Engine 1 browned out 50%
- Police \$100,000 to Vehicle Replacement
- Fire \$250,000 to Vehicle Replacement
- Fire \$170,000 to Equipment Replacement
- Continued \$1.3m MOE to Measure K
- \$435,000 Capital Contribution
- \$265,000 IT Infrastructure Contribution
- \$130,000 for 2018 elections costs



# Vehicle Replacement Fund

Vehicle Replacement Funds	FY 16/17 Fund Balance	FY 17/18 Est Rev	FY 17/18 Est Exp	FY 17/18 YE Est	Fund Target *	Over/ (Under) Target
Comm. Dev	\$42,694	\$21,000	\$0	\$63,694	\$23,308	\$40,386
Fire Dept.	\$264,229	\$100,000	\$0	\$364,229	\$2,314,554	(\$1,950,325)
Police Dept.	\$867,444	\$27,540	\$143,020	\$894,984	\$1,656,873	(\$761,889)
PRCS	\$384,636	\$61,700	\$60,000	\$446,336	\$974,772	(\$528,436)
PW - GF	\$97,739	\$0	\$0	\$97,739	\$165,537	(\$67,798)
<b>Grand Total</b>	<b>\$1,656,742</b>	<b>\$210,240</b>	<b>\$203,020</b>	<b>\$1,866,982</b>	<b>\$7,932,226</b>	<b>(\$6,065,244)</b>

\* *Fund Target* is the annualized depreciated value of vehicle stock that should be set aside for future replacements using Fleet Services estimated useful life expectancies by vehicle type.



# 5 Year Forecast - Revenue

## Assumptions

Revenue Category	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Property Taxes - Secured	3.1%	3.7%	3.7%	3.7%	3.7%	3.7%
Property Taxes - CFD [1]	N/A	75.0%	45.0%	35.0%	21.0%	15.0%
Property Taxes - Other	0.0%	1.8%	1.8%	1.8%	1.7%	1.8%
Sales & Use Taxes	6.1%	2.0%	2.0%	2.0%	2.0%	2.0%
Other Taxes	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%
EU Pilot	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Licenses & Permits [2]	27.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fines & Forfeitures	8.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Use of Money	6.1%	2.0%	2.0%	2.0%	2.0%	2.0%
Misc Revenues	-1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Property Tax in Lieu VLF	4.5%	3.7%	3.7%	3.7%	3.7%	3.7%
Intergovernmental - Other	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Charges for Services [3]	-20.2%	1.0%	1.0%	1.0%	1.0%	1.0%
New Cost of Services	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Transfers In	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%



[1] Includes continued addition of new units and CPI adjustment. FY 18/19 based on actual eligible units

[2] Increase due to enactment of alarm ordinance.

[3] Decrease due to substantial lots available for development reducing demand for services.

# 5 Year Forecast - Revenue

## Revenue Projections

	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Revenue	YE Est.	Proposed	Projected	Projected	Projected	Projected	Projected
Property Taxes - Secured	10,026,300	10,341,750	10,725,000	11,122,000	11,534,000	11,961,000	12,404,000
Property Taxes - CFD	43,700	150,000	262,000	379,000	511,000	618,000	710,000
Property Taxes - Other	390,000	390,000	397,000	404,000	412,000	420,000	428,000
Sales & Use Taxes	12,368,100	13,122,600	13,386,000	13,654,000	13,928,000	14,207,000	14,492,000
Other Taxes	3,892,000	3,984,000	4,064,000	4,146,000	4,229,000	4,314,000	4,401,000
EU Pilot	7,158,850	7,197,380	7,234,000	7,271,000	7,308,000	7,345,000	7,382,000
Licenses & Permits	80,320	101,970	105,000	108,000	111,000	114,000	117,000
Fines & Forfeitures	1,328,500	1,447,050	1,476,000	1,506,000	1,537,000	1,568,000	1,600,000
Use of Money	1,553,200	1,647,830	1,681,000	1,715,000	1,750,000	1,785,000	1,821,000
Misc Revenues	406,660	400,660	401,000	401,000	401,000	401,000	401,000
Property Tax in Lieu VLF	5,142,654	5,374,070	5,573,000	5,780,000	5,994,000	6,216,000	6,446,000
Intergovernmental - Other	600,310	644,310	645,000	645,000	645,000	645,000	645,000
Charges for Services	1,885,310	1,503,980	1,520,000	1,536,000	1,552,000	1,568,000	1,584,000
New Cost of Services	2,019,232	168,370	0	0	0	0	0
Transfer In	4,295,640	4,826,410	4,827,000	4,827,000	4,827,000	4,827,000	4,827,000
<b>Total Revenue</b>	<b>51,190,776</b>	<b>51,300,380</b>	<b>52,296,000</b>	<b>53,494,000</b>	<b>54,739,000</b>	<b>55,989,000</b>	<b>57,258,000</b>
<b>Revenue Growth [1]</b>	<b>N/A</b>	<b>4.0%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>



# 5 Year Forecast

## Assumptions

Expense Category	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Salaries [1]	N/A	2.0%	2.0%	2.0%	2.0%	2.0%
PERS Normal Cost [1]	Based on Projections in June 30, 2016 Actuarial Report					
PERS UAL						
Other Benefits [1]	4.9%	4.5%	4.5%	4.5%	4.5%	4.5%
Operations	4.2%	4.5%	4.5%	4.5%	4.5%	4.5%
Debt [2]	Per Existing Debt Schedule					
Transfers						
	13.7%	0.5%	0.5%	0.5%	0.5%	0.5%

[1] FY 2018-19 based on current employee salaries with eligible step increase allowances. No change in labor agreements is assumed. Minor decrease in vacant positions is assumed.

[2] Based on existing debt service schedules . Does not assume any refinancing opportunity in FY 2021.



# 5 Year Forecast

## Expenses and Fund Balance

	<u>FY 17/18</u> <u>YE Est.</u>	<u>FY 18/19</u> <u>Proposed</u>	<u>FY 19/20</u> <u>Projected</u>	<u>FY 20/21</u> <u>Projected</u>	<u>FY 21/22</u> <u>Projected</u>	<u>FY 22/23</u> <u>Projected</u>	<u>FY 23/24</u> <u>Projected</u>
Salaries	20,632,380	21,036,930	21,458,000	21,888,000	22,326,000	22,773,000	23,229,000
PERS Normal Cost	2,648,120	2,788,360	3,325,990	3,720,960	3,795,420	3,871,410	3,948,930
PERS UAL	4,503,000	5,522,420	6,517,012	7,237,053	8,162,025	8,974,363	9,535,328
Other Benefits	6,722,800	7,067,090	7,386,000	7,719,000	8,067,000	8,431,000	8,811,000
Operations	10,555,500	10,997,110	11,492,000	12,010,000	12,551,000	13,116,000	13,707,000
Debt	1,002,070	1,101,430	999,760	999,310	1,002,560	998,250	998,480
Transfers	2,303,400	2,618,670	2,632,000	2,646,000	2,660,000	2,674,000	2,688,000
Pension Stabilization (PARS) [1]	2,019,230	168,370	-	-	-	(4,030,760)	(5,659,738)
<b>Total Expenditure</b>	<b>50,386,500</b>	<b>51,300,380</b>	<b>53,810,762</b>	<b>56,220,323</b>	<b>58,564,005</b>	<b>56,807,263</b>	<b>57,258,000</b>
<b>Expenditure Growth (less PARS)</b>	<b>N/A</b>	<b>5.7%</b>	<b>5.2%</b>	<b>4.5%</b>	<b>4.2%</b>	<b>3.9%</b>	<b>3.4%</b>
<b>Revenue - Expenditure (less PARS)</b>	<b>804,276</b>	<b>0</b>	<b>(1,514,762)</b>	<b>(2,726,323)</b>	<b>(3,825,005)</b>	<b>(4,849,023)</b>	<b>(5,659,738)</b>
<b>Total Fund Balance (w/o PARS)</b>	<b>8,884,353</b>	<b>8,884,353</b>	<b>7,369,591</b>	<b>4,643,268</b>	<b>818,263</b>	<b>0</b>	<b>0</b>



[1] Negative is a draw to pay for pension costs in that Fiscal Year.

# 5 Year Forecast

## Available Resources

Category	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>	<u>FY 20/21</u>	<u>FY 21/22</u>	<u>FY 22/23</u>	<u>FY 23/24</u>
Catastrophic Reserve [2]	3,933,724	4,090,561	4,183,680	4,279,520	818,263	0	0
Economic Reserve [2]	3,933,724	4,090,561	3,185,911	363,748	0	0	0
Pension Stabilization Fund [3]	9,200,000	10,740,000	11,410,000	12,120,000	12,870,000	9,390,000	3,960,000
DIVCA	364,528	382,000	403,000	426,000	452,000	480,000	508,000
<b>Available Resources</b>	<b>17,431,975</b>	<b>19,303,122</b>	<b>19,182,591</b>	<b>17,189,268</b>	<b>14,140,263</b>	<b>9,870,000</b>	<b>4,468,000</b>
<b>Fund Balance % [4]</b>	<b>16.0%</b>	<b>16.0%</b>	<b>14.1%</b>	<b>8.7%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>0.0%</b>

[2] Per policy, this is set at 8% of revenue, catastrophic reserves are prioritize, then economic reserves, then unassigned.

[3] Note this reserve is held in an IRS Section 115 Trust account for pensions only. It is assumed to earn 6.25% annually.

[4] Calculated as % of Revenue using the economic and catastrophic reserves only. The target is 16%.





# Summary

- Continued strong growth
- Prudent financial planning has enhanced the long term outlook
- Vacancies continue to provide Pension Stabilization funding
- Fiscal stewardship by of staff has led to strong budget results
- PERS continues to grow faster than revenues
- Recession will substantially impact fiscal sustainability
  - -1% revenue in 2018/19 has a \$2.3 Million impact on revenues over 5 years
  - A sustained -1% drop has \$10.5 Million impact

